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Building a direct-to-consumer distribution system in Iowa

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Building a direct-to-consumer distribution system in Iowa

Abstract

Farmers interested in direct market distribution of their products were able to use information from the experiences in other states to help start a cooperative that sells products in a Des Moines shopping mall.

Keywords

Business management distribution and marketing, Farm to institution, Food miles food pathways food system assessments

Disciplines

Agribusiness | Business Administration, Management, and Operations | Entrepreneurial and Small Business Operations | International and Community Nutrition | Marketing

Building a direct-to-consumer food distribution system in Iowa

Abstract: Farmers interested in direct market distribution of their products were able to use information from the experiences in other states to help start a cooperative that sells products in a Des Moines shopping mall.

Principal Investigator:

Principal Investigator:
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Ames

Budget:

\$22,500 for year one
\$25,000 for year two

Q Can a food distribution system that is owned by consumers and producers and that uses the internet to facilitate commerce be successfully developed and launched in Iowa?

A Yes. Iowa farmers have a new option available to secure customers for their products. By joining the Iowa Food Cooperative, they can offer their products to other cooperative members using the internet. Products purchased are then delivered to a distribution site in Des Moines. In its first year of operations, nearly \$60,000 worth of a wide variety of products was sold using this system.



Background

Farmers who use direct marketing to sell their products face a number of difficult issues with distribution. Relying on previous efforts by Practical Farmers of Iowa (PFI) and resources from other state food cooperatives, the project goal was to develop a self-supporting distribution system that would generate sufficient numbers of customers so farmers can sell their products profitably.

The project's original objectives were to:

- Develop a business plan for an alternative distribution system,
- Develop and launch a new distribution business that incorporates farmer and consumer ownership and control,
- Increase sales for at least 20 Iowa farmers who raise sustainably-produced products by at least \$100,000 total, and
- Increase purchases by at least 150 consumers of products directly from farmers, with total purchases increasing at least \$100,000.

Approach and methods

A variety of strategies were used to achieve the project objectives. Initially a steering team was created to oversee the project and examine the Oklahoma and Nebraska Food Cooperatives to see how they operated. The team then estimated the numbers and locations of consumers likely to participate, determined an optimal product mix and estimated potential sales of products available for distribution through the system. They reviewed studies and reports on transportation, processing, storage needs and costs to help determine the costs related to distribution systems. Existing direct-to-consumer distribution efforts were considered for possible collaboration. Information gathered was used to complete and implement a business plan for a state food cooperative.



Product labeled for customers and awaiting pickup

Results and discussion

Information from the Oklahoma and Nebraska Food Cooperatives was used to create budgets, forecast sales and revenue, and develop membership projections. The Des Moines metropolitan area was chosen for the initial distribution site. A one-year lease was signed for a spot in Merle Hay Mall that was renovated to obtain the proper licensing. Software from the Oklahoma Food Cooperative was used, with modifications. A web site (www.iowafood.org) was developed for both marketer and consumer use.

Membership recruitment began in September 2008 with mailings and local media coverage. By the end of the grant period, 163 people had joined the cooperative; 48 farmers and 115 consumers. The first ordering cycle took place in November 2008 with subsequent order periods in December 2008 and January 2009. Numbers of farmers with sales and consumers with purchases increased for each order cycle. Total sales for the first 12 months of operations were almost \$60,000.

Conclusions

A direct-to-consumer distribution system utilizing the Oklahoma Food Cooperative model can be successfully developed and launched in Iowa. The keys to success are securing enough producers and consumers who are interested in what the system can offer, finding a good site or sites for the distribution of the products that are ordered, finding a skilled person to manage the software needed for commerce to occur, and having a committed group of people willing to work through the process to form, launch and operate a business. Grant funding for this work is exceedingly helpful.

Things that can be shared with others interested in the project are the processes and tools used in the planning phase, plus results of the planning efforts. Other project findings worthwhile for sharing are the open-source software, the Articles of Incorporation and Bylaws, budgets and other information on operations. Aspects of the project that need more work to increase their value are converting presentations about the project into guidance materials, so the project could be more easily replicated in other locations.

Impact of results

A draft business plan was developed for an alternative distribution system. The business, which incorporates farmer and consumer ownership and control, was launched. A six-month delay in the business launch meant that the initial sales and revenue objectives were overly optimistic.

The Iowa Food Cooperative appears to be stable and on track to grow. If it achieves growth rates similar to the Oklahoma Food Cooperative, there will be close to \$700,000 in annual sales from Iowa farmers directly to consumers within five years. In addition to benefitting the farmers and consumers involved in the business, the project provides a model for other communities interested in establishing their own on-line, direct-to-consumer distribution systems.

Education and outreach

Presentations about the project were made at a number of events: Floyd Boulevard Market field day, Iowa Farmers Union annual conference, PFI annual conference, Iowa Network for Community Agriculture annual conference, Upper Midwest Value-Added Agriculture conference, Marketing and Food Systems conference, and the Iowa Fruit and Vegetable Growers annual conference.

Leveraged funds

Funds were received from several other organizations in support of the Iowa Food Cooperative: Iowa Department of Agriculture and Land Stewardship (Specialty Crops Grant), \$4,000; Blooming Prairie Foundation, \$25,000; Iowa Department of Natural Resources (Natural Resource Based Business Opportunity Grant), \$25,000; Allegra Printing and Imaging (in-kind), \$1,000; and Merle Hay Mall in Des Moines (in-kind), \$57,600.

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